

Contentious CAFTA - A Turning Point for Costa Rica?

Five of the six countries, including Costa Rica, which signed the Central American Free Trade Agreement (CAFTA) with the United States, have now ratified it. Oscar Arias, Costa Rica's Nobel Laureate president, signed the agreement in November 2007, after the pro-CAFTA forces in his country won a hard fought election by a margin of approximately 3 percent. The necessary and enabling legislation is now moving slowly through its National Assembly despite resistance from its opponents. The pro-CAFTA legislative super majority of 38 has managed to hold tight. But, if one member of this center-right alliance becomes ill, or incapacitated, a vote cannot be cast. The opposition has been allowed to present its objections, and then the super majority reacted by holding tenaciously to its pre-ordained position. Although the referendum supporting the treaty revealed a fairly even split in the electorate, it would be fair to say that the majority of the electorate wishes that the opposition would throw in the towel by a margin of about two to one, according to a recent poll taken by La Nación, Costa Rica's major newspaper. However, a tiny defection would deep six the treaty, and so the majority hopes for a quick ratification of the agreement.

Costa Rica, for all the talk of pervasive corruption on the part of one of its presidents after another, is known as one of Central America's- perhaps even Latin America's - most stable democracy, and it has had a successful mixed economy that developed since the end of World War II. There has been a good public health plan at work that has resulted in life expectancy figures equal to those of the United States, a literacy rate of 98 percent, a highly regarded national university, and an efficient electric power and telecommunications enterprises that exports electricity throughout Central America and provides the cheapest cell phone service in the western hemisphere. Costa Rica's per capita gross domestic product of \$12,500 is twice that of such neighboring states as Nicaragua and Panama, 400 percent greater than Honduras, and about the same as that of Chile—another energized social-democracy.

CAFTA and Costa Rica

Previous attempts to privatize or break up the Instituto Costarricense de Electricidad or the Costa Rican Institute of Electricity (ICE), the emblematic government entity that controls electricity and telecommunications, as well as convert the pension and public health plans, failed when there were large strikes and public demonstrations by concerned citizens. However, hardly anyone turned out in the beginning of December when the anti-CAFTA forces attempted to marshal their cadres by increasing the tempo of strikes at ICE.

The referendum, which was a first for the country since declared its independence from the Spanish colonial New World Empire in 1825, was noteworthy in several respects. A survey showed that almost 48 percent of Costa Ricans said they planned to vote even though they felt the treaty was not directly important to their lives or interests.

The Social Democratic ruling party, Liberación Nacional (PLN), headed by the well-to-do, aristocratic, and at times populist and democratic Arias, struggled with its decision on whether or how to participate in this U.S.-backed common market and proposed free trade area, as well as how to increase the region's access to global corporate capital. In his presidential campaign, Arias took the stance that economic factors were primary to the country's future. He pledged to

create a government that would give everyone a job, allow citizens to buy a home and send their children to college. The way to do all of this, he insisted, was through CAFTA. If Costa Rica joined CAFTA, AMD, Intel's chief competitor, would copy the former by investing in the country.

Costa Rica has benefited from previous Caribbean incentive programs offered by Washington to the region; but this new pact, according to its critics, carries a particularly high price. Low wage textile jobs already have moved away to Nicaragua and Guatemala; the Bush administration threatened that Costa Rica would lose its existing trade privileges if the referendum wasn't signed and ratified. U.S. Ambassador to Costa Rica, Mark Langdale, often repeated this threat during the final hours leading up to the referendum. Bush's legal authority to end Costa Rica's preferred status under the Caribbean Basin Initiative, however, has been contested by some outraged members of the U.S. Congress, who argue that it was a law that grants Costa Rica those privileges, not Bush's noblesse oblige.

A principal factor of consideration for Costa Rica is whether free trade will cost the country too much of its sovereignty, with several provisions of CAFTA contributing to this fear. This is especially the case with the country's seabed resources. The United States, unlike most regional countries, does not recognize the law of the sea, which grants Costa Rican seabed rights up to 200 miles off its coast. Under the doctrine of Freedom of Navigation, Washington maintains that a vessel bearing its flag is free to ply the seas anywhere outside a country's traditionally recognized territorial limits of 12 miles. This includes the right to drill for oil and mining for any resources. The coastal maritime areas of Costa Rica amount to 10 times its land area. By that calculation, Costa Rica could be considered the largest country in Central America. Under the usual codification of coastal rights, together with the coastline provided by its Cocos Island, Costa Rica's domain would extend to a total of 500,000 square kilometers – intersecting Ecuador's sea rights as measured from the Galápagos Islands.

San Jose Calls in the U.S. Flag

Costa Rica has allowed the United States to station one of its Coast Guard vessels in its waters to police drug trafficking along its Pacific coastline, near the southern town of Golfito. When San Jose agreed to enter into this arrangement, it was specified that the Coast Guard vessel was to be used only to safeguard law and order as these factors pertained to drugs. After the Sept. 11 terrorist attacks, the United States militarized its Coast Guard presence in Costa Rica. Marine detachments were put aboard the Coast Guard flotilla, which now included a U.S. naval presence as well. Currently, the Golfito Port Captain issues all kinds of "exceptional use" permits responding to specific requests by U.S. authorities. Nest, critics ask, will there be a permanent base in the works to provide an infrastructure for these activities?

Costa Rica was also supposed to enlarge its own coast guard, which has yet to happen. Thus at the present time, the U.S., which doesn't even recognize Costa Rica's extended 200-mile offshore zone, is using its vessels to oversee Costa Rican territory waters and the seabed. This has led to a major compromising of the country's sovereign rights in the eyes of Costa Rica's peace and social justice movement.

CAFTA's Provisions

In general, its critics claim CAFTA will override key provisions of the Costa Rican constitution. Nevertheless, its supporters argue “what’s the fuss,” since Costa Rica, in any event, can withdraw from the treaty after six months and that it could press for financial penalties or other damages that can be claimed by any victims for any damages. A supra-national body yet to be impaneled, will interpret the treaty. The so-called Central American Free Trade Commission will have the right to change, interpret, and generally supervise the operation of the agreement. There are rights of arbitration under CAFTA, but the Free Trade Commission is empowered to change, interpret, and generally supervise the operation of the pact. Whatever the countervailing forces, in the end, the Free Trade Commission will act as the court and legislature that issues administrative rules by which disputes have to be decided. Thus such panels, in effect, will have executive, judicial, and legislative powers. Its members are directly appointed by the U.S. Secretary of State, and by her equivalents in other member countries.

Since the referendum and Arias’ subsequent signing of the regional trade pact that was acted upon by the National Assembly, a struggle has emerged over the protocols and laws that would implement it. Since the treaty is contrary to various existing laws, this is necessary before CAFTA can go into effect. Under the pact’s terms, this should have been done by March 2008. But the situation was temporarily resolved after Costa Rica had requested an extension, which was granted until the end of the year.

Adding to the confusion, those Costa Ricans who favor some form of CAFTA, albeit with less of a threat posed to the country’s sovereignty, fear that the Democrats will win the U.S. presidential election and reverse both CAFTA and NAFTA. This would then cause them to lose their privileged access to the American market.

Industrializing Developing Economies

The last 100 years indicate that underdeveloped countries which are cut-off from the industrially developed centers, have a hard time modernizing their economies. Having access to capital and advanced technology are essential to globally compete. While CAFTA is arguably a good idea from the standpoint of Costa Rica’s managerial class, the price demanded by Washington, though, is too high for many. The United States is in effect paying for privileged trade access to maintain its own access to the Costa Rican economy through access, in particular, to its markets for its cheaper subsidized produce. The above process worked well economically for Japan, Korea, Taiwan, and eventually China among others. These countries, all have shared a lower labor cost structure at some point in their evolution. This allowed them to compete handily with American factories, and thus their own industrialisation was paid for by privileged access to the U.S. market. This is a policy that encouraged American CEOs and their allies in the new managerial and financial elites to source industrial production in countries with lower labor costs than Costa Rica’s while underselling the country’s agricultural output. The losers will be the American working class, with fewer and fewer good paying factory jobs remaining in the country. In turn, Costa Rica, even with a lower wage structure, will not be able to compete with the U.S.’s principal suppliers in Asia such as China and India; this can only turn out to be a race to the bottom. Costa Rica is already being affected to a significant degree by its wage regulation system. Minimum commercial wages are being graduated in a number of ways, including by the degree of education possessed by the workers. Thus those who have developed and prepared themselves educationally can count on decent compensation and has less to fear about being

made superfluous as in China, which has embraced the New World Order so enthusiastically.

Costa Rica's New Economy

However, the current world economic situation has been changing markedly in recent months, as Costa Rica awaits the inauguration of CAFTA—a date now postponed by the slowness of the Costa Rican legislative approval process. It is now scheduled for the end of 2008, having failed its deadline the previous spring. The treaty had been negotiated by Arias' predecessor, former President Pacheco. He refused, however, to push for its ratification unless the Costa Rican Assembly would first act to improve tax collection in the country. Without a truly professional tax collection system, Costa Rica's social guarantees of health care, an effective public education capacity and adequate pensions could not be met.

Meanwhile, there are many places in the world that possess easy and/or preferential access to the U.S. market due to their low labor costs and through negotiated Free Trade Agreements. Costa Rica has some of these advantages as well as liabilities. Its wages are competitively speaking, no longer that low, when compared to China, or even Nicaragua. Leaving aside its particular geographic advantages due to climate, flora, and the abundance of potable water, the reforms that were created after 1948 have produced an educated work force that largely speaks both English and Spanish. That workforce, combined with Costa Rica's highly developed telecommunications system, has attracted international call centers to the country. Another new market has resulted from the liberalization of sexual mores, which has allowed for the installment of various pornographic websites to locate in Costa Rica. International betting, now being restricted by the United States, was also formerly centered there. Costa Ricans are trained to have a disciplined work ethic. Advanced, modern sectors of other countries seeking lower wage levels in a stable work environment will continue to find it advantageous to locate in the country.

As presently viewed from San Jose, the U.S. market is somewhat tapped out. The country is already flooded with cheap foreign goods, consumer anticipated spending is gagging, and with the deflation of the housing bubble and the dubious financing behind it, the reservoir of cash and credit with which the American consumers used to finance their purchases and supply investment funds are gone.

On the other hand, Europe, in continuing to integrate a contiguous trade bloc, has been enjoying significant successes. The integration into its Common Market of Spain, Greece, and former eastern countries like Poland was accompanied by massive investment in infrastructure and other forms of aid. Access by these countries to the European Union market was not seen as the only benefit, but certainly could serve as an attractive alternative for Costa Rica, rather than to continue courting CAFTA. Costa Rica, along with other Central American countries, is actively seeking EU access as well as a functioning CAFTA, but Costa Ricans still believe that the US market is likely to be more lucrative, despite current US economic problems.

There is a surplus of dollars in the world, much of it in sovereign wealth funds coming from commodity producers, rich in surplus dollars particularly in oil. China, and other countries that have followed a policy of keeping internal consumption low and accumulating dollars while industrializing, has proven particularly attractive to outside investors. According to Stephen Jen of Morgan Stanley, Bank of China International is a good example of this: "We calculate that

China's private sector is 'short' US\$1.2 trillion worth of foreign assets (China's Private Sector Is US\$1.2 Trillion Short of Foreign Assets, Nov. 15, 2007, Morgan Stanley). The last mentioned financial house, which historically has been a powerful international institution, describes this development as part of a "tectonic" shift. But where will that money go?

According to Morgan Stanley, "The six members of the GCC have close to 500 billion barrels of proven oil reserves. At today's market prices, this is worth some US\$44 trillion. Including the value of proven gas reserves, the total underground wealth of the GCC countries could exceed US\$50 trillion (see GCC: Transforming Oil into Financial Wealth, November 15, 2007)...The market capitalization of the world's equity markets is around US\$52 trillion."

This switch in the location of financial capital makes the United States for less attractive as an investment source or repository. Added to this is the likelihood that the U.S. is now most likely entering into a recession, as even observed by Alan Greenspan, the former chairman of the Federal Reserve and the J.P. Morgan Bank, among others. Merrill Lynch economist David Rosenberg suggested in December of 2007 that the probability of a U.S. recession was 100 percent. Tying Costa Rica's economy to that of the United States by CAFTA may be demonstratively less economically attractive than its proponents originally maintained. Because of these shifting financial patterns, Costa Rica now will have to more firmly rely on its ability to attract outside financing worldwide, as it apparently is doing with success at this moment, rather than passively depending upon traditional sources.

Arias already has presided over a preferential shift towards China. No longer is Taiwan the China that Costa Rica recognizes, and China itself has begun to pour development funds into Costa Rica. Beijing already has promised \$480 million of investments and aid of various kinds to San Jose. Costa Ricans humorously speculate that the main propellant for such an intense interest in Costa Rica is due to the new Chinese elite wanting to send their sons to work in the country in order to escape Beijing's polluted atmosphere.

In a related matter, the Central Bank of Costa Rica is, for obscure reasons, not following the policy of accumulating dollars while keeping the value of the colon low, while certainly not lacking the sophistication to invest surplus dollars as the Chinese have been doing in recent years with considerable success. That process keeps from inflating the money supply. As a result, Costa Rican labor costs will likely increase, causing further competitive slippage for the country. The Central Bank might learn from its new Chinese allies how to build up its cash balances as development funds continue to pour, at least temporarily in from all over the world. This has been an economically good year for Costa Rica, with poverty down slightly, housing construction being able to remain at least level, in part because of the need for housing for expatriates all over the world coming to the country, and with agricultural as well as industrial exports having increased.

Since surplus liquidity is likely to come from many sources, tying Costa Rica to some kind of dollar trade bloc, that is cheaply financed at relatively low cost by the United States (as compared to the continuously generous terms of Europe's industrial leaders to its backward-looking continental incoming neighbors) is arguably a bad idea. To many Costa Ricans, CAFTA's allure will likely wither as the U.S. economy continuously deteriorates in 2008.

II. THE ARIAS FACTOR:

Understanding and accommodating Costa Rica's Nobel Prize-winning Oscar Arias, is part of the country's problem.

He is from a prominent public spirited family. He studied in England, and was a student of the democratically-oriented Austrian refugee and later famed social scientist Karl Popper, the author of "The Open Society and its Enemies," which argued against the excesses of totalitarian/ideological societies.

Arias marched against the Vietnam War as a young man in England, initially modeling himself after U.S. President John Kennedy for his first term in office. More recently, he used some of former U.S. President Bill Clinton's campaign advisors to regain the presidency after many years of absence from the country's political scene.

What he did in the interregnum between his two presidencies, was to rather unsuccessfully campaign worldwide against spending money on armaments. The world should stop allocating funds to under-developed countries that spend it on weapons, was a central theme.

After having little luck with his various global efforts, Arias eventually returned to Costa Rican politics once again. Back in Costa Rica, he began throwing his weight around, including strong-arming his party (he was accused of buying party votes at its conventions). That is relatively easy to do in Costa Rica, where personal ties are strong, and readily trump legal contracts or as principles of public rectitude. It is also hard to monitor the close personal relationships which feature the day to day life of Ticos. There is, however, an active press corps in the country that is alert to exposes - and some time to invent and even prepare corrupt linkages where none may exist. The weekly University of Costa Rica magazine, *Semanario Universidad*, is at the forefront of the opposition and has the added prestige of being related to one of the best faculties in Central America.

Arias illustrates some of the problems facing democratic movements in this period of the decline of "business civilization", as Robert Heilbroner called it, when the working class and its allies in the middle classes are disorganized and without a coherent direction.

Costa Rica CAFTA Reservations

Although a strong supporter of CAFTA as outlined above, the ambivalence of President Arias exists over certain points. Even though Arias recently said that the treaty provision providing for foreign companies to enter into the telecommunications fields would not be allowed to cover Costa Rica's landline telephones. This is because these phones are used to subsidise Costa Rica's very inexpensive cell phones, but the United States might object. A known opponent of arms production—it is prohibited in Costa Rica—his response to the treaty's apparent authorization of such production by a multinational factory under CAFTA's terms is another likely flash point with the Bush administration.

Populist politics are without institutionalized leadership in Costa Rica to a large degree, and are subject to something whimsical reactions on the basis of grass-root reactions, as in the United

States. Dr. Gabriel Macaya Trejos, the rector of the University who formally was the head of the anti-CAFTA movement, provided a restrained opinion that argued against any violence to occur after the failed referendum. Arias, of course, had been in favor of CAFTA even though he tried to somewhat conceal his enthusiasm for it. Given how stultifying Costa Rican politics can be, one can understand if not forgive why someone with Arias' history take such a determined stand. Part of the explanation for this is the President's brother, Rodrigo, as his "whip". Rodrigo runs the office of the president and is seen by many as a ruthless administrator whose influence over his brother is huge. Rodrigo also has been an enthusiast for CAFTA. of His detractors insisting that this religious faith concerning CAFTA didn't come for free. At times, Arias steps in when his brother has gone too far. It is unclear how personally corrupted the president has been by this process. He may be weary, but determined, needing help with keeping him on some course of action, suggesting that there really are two Arias'.

In San Jose's Center of the Friends of Peace, his picture has been taken down, but his nameplate and place has been reserved. When asked for an explanation, a member said, "It is not now clear if he deserves to be here. We are not sure."

In the days before the CAFTA referendum, a letter signed by the then second vice-president, Kevin Casas, recommending a catalog of electorally-impermissible activities caused significant unrest. Casas was forced to resign after the memo he wrote regarding CAFTA leaked out; in the memo to the vice president, wishing to secure a "yes" vote, suggested "a campaign of fear" to his political counterparts by exerting pressure on the country's mayors and threatening to cut off the flow of resources from the central government to the local governments. While such wrongdoings by Casas were in full public view, the public turned against CAFTA. Casas then resigned and the scandal died down. President Arias denied any personal knowledge or involvement in the whole affair, which is a hallmark of his style in such matters. He is always prepared to deny when he finds himself in an embarrassing situation.

At the last moment, the Arias government mobilized its supporters and kept the legislature in session, while its supporters campaigned very actively on pushing CAFTA ahead. Pro-CAFTA activists were reportedly motivated by direct political threats by the then U.S. ambassador to Costa Rica, Mark Langdale, and the near certainty that there had been an injection of hundreds of thousands of dollars in U.S. funds to facilitate the passage of CAFTA, with of course, pro-pact employers busing their employees to the election booths.

Those on the left, like the small Revolutionary Workers Party, on pushing CAFTA, argued that the election was won as a result of forced voting. Employers in outlying regions, they claimed, monitored their bussed employees in order that they voted correctly. They made other claims of payment for votes at the going rate of \$40 a head. Independent outside observers, brought in to validate the vote because of claims that Arias' prior presidential victory was the result of fraud failed to confirm this. The referendum ended with a victory for CAFTA.

In this period, the economy in Costa Rica has strengthened while poverty apparently has bottomed out after steadily increasing for a while. Income was relatively stable amongst poorer Costa Ricans, who did a bit better in 2006. As Mike Davis has pointed out in his book "Planet of Slums," this is contrary to the usual characteristic of the so-called neo-liberal regimes.

Nonetheless, Nicaragua, Costa Rica's next door neighbor, sends its labor surplus to Costa Rica where many live in shantytowns and camps. It is the tale of immigration familiar to the complaints of U.S. businesses in defense of using undocumented workers. How emphatically these immigrants show up in Costa Rica's improved roster of economic statistics is unclear.

But the rich are getting richer and the poor are getting relatively poorer. That sounds very much like the United States. Violent crime is increasing. The fear has been expressed that San Jose, the most sophisticated of Central America's capitals, is destined to become the residence for the new investment class, but today that country is surrounded by a lake of poverty, while it is being de-industrialized in favor of the poorer regions such as Nicaragua and Guatemala.

Almost every Costa Rican business does not pay its taxes in full. Illegalities abound. Three of the last presidents have been accused of cooperating in defrauding government agencies for their own personal profit. Two of them have spent time in jail. The third, the son of Jose Figueres, reluctance to return to his country to be cross-examined, was upheld by the country's attorney general who formally announced that there were no grounds on which to summon, much less press any charges against Figueres. Slow action in the legislature makes reforms or even repairs to the country's roads seem impossible. This encourages enthusiasm for discretionary presidential actions that sometimes gets the job done, even if it isn't strictly legal.

All of this illustrates the problems facing democratic governments in this particular period and in this part of the world. Remember, 48 percent of the electorate said they didn't think CAFTA would personally affect them, but they still intended to vote on it. So much for self-interest based voting.

The opposition to CAFTA appeared determined for a while, but subsequently, after it had lost on a procedural vote, the majority of Costa Ricans became impatient to get on with it, as reported by the San Jose daily LA NACIÓN in December.

Up to 70 percent of the population wanted the opposition, PAC (which was largely composed of former members of Arias' National Liberation Front and headed by the then secretary of the group, Otun Solis), to stop opposing the government's arrangements. They wanted their officials to get CAFTA going. Some people in the opposition expect that the Bush administration will be angered by Arias' likely insistence for some side arrangements to the treaty that will clearly protect Costa Rican sovereign rights and independence.

Bets are on whether Arias, a man who frequently has his off days, and who speaks out against imperialist wars and who opposed the Iraq invasion, will allow the United States to force Costa Rica to manufacture weapons, a right demanded under CAFTA's terms. His insistences on firm guarantees on this point could conceivably derail CAFTA. Arias himself has announced that he is personally opposed to such manufacturing, and that the treaty does not authorize it. Former presidents Rodrigo Carazo and Luis Monge say it does.

Under the banner of protecting intellectual property rights, the United States is demanding a commission that will dismantle Costa Rica's interpretation of the right to manufacture generic medicines. Up until now, San Jose has been maintaining that patents in this area have 15 years to

run. The United States wants 25 years or more, using various subterfuges to give its transnational corporations a longer period of protection. These are not the property rights of inventors and other hard-working intellectuals. Rather, what they represent are corporate property rights, and the patent laws originally designed to encourage individual rewards for useful formulas, discoveries and inventions are now being paid out to the inventors' children and grandchildren as well as providing them with the right to sell such patents to corporate giants. Under this arrangement, it will mean increased medical costs in Costa Rica, and a further deterioration of the once wonderful, and still serviceable public health system. Arias also has decided not to deregulate telephone landlines. The current arrangement allows the national telecommunication's monopoly to continue to subsidize, with profits from the existing landline system, the extremely low cell phone costs in Costa Rica.

Will the international cell phone companies accept this built-in subsidy? More importantly, any status quo keeps the new fiber optic communication lines in the Costa Rican government's national domain. Some anti-CAFTA elements remain optimistic that Arias can be separated from CAFTA on some other issues. Related is the question of the arrival of other Central American investors who are opening offices in San Jose and appear ready to participate in the potential burn-out of Costa Rican assets. Those who are angry with Arias accuse him - or perhaps his brother Rodrigo - of allying himself with Central America's most flagrant billionaires. Some of those individuals have had the experience of dealing with underpaid Latin American government officials to the detriment of public rectitude. No democratic government policy seems entirely safe when faced with such powerful, ultra-rich individuals accustomed to having their unquestioned way.

In the past, organized Costa Ricans have been able to reverse government attempts to privatize, downsize, or eliminate public parts of the country's mixed economy created by the country's opposing blocs. There were previous attempts to privatize ICE, the government monopoly that produces Costa Rica's electricity, in most part from hydroelectric power. This opposition has been the core support to delay or stop CAFTA.

Arias' Disputes

These moves against the public sector were halted by popular demonstrations. Attempts to do this have fizzled in attempting to waylay CAFTA. However the opposition to awarding drug companies with patent rights to existing plants and seeds as well as the products of genetic engineering over future biological generations, has been held as a subject for a new referendum.

Recent events in Argentina and Bolivia have highlighted how a dissatisfied and aroused populace can overcome constitutional limitations on the ouster of an unpopular president. Arias' popularity might diminish if he is seen as no longer representing the interests of his traditional constituency. While there is evidence of mounting opposition within his party, the Arias faction has continued to maintain its public discipline. A majority of his party's voters were probably opposed to CAFTA during the Casas scandal just prior to the referendum, but the issue lacks sufficient momentum at this time.

Costa Rica, as many people know, abolished its army with a middle class revolution right after World War II. This came about as the result of an alliance of a populist former president who

illegally had based another term in office under the nation's old constitution. In opposition, Rafael Calderon-Guardia, a well-respected social reformist was able to gain support from the Church and the Communist Party along with its banana worker unions. This alliance kept him in power 1944 through 1948, until the fraudulent imposition of Calderon-Guardia's protege, Teodoro Picado, as the next president. When this coalition attempted to reproduce itself once more, a new leader, Pepe Figueres, capitalized on the nation's revulsion against such irregular actions.

Modernization after the civil war of the 1940's consisted of electrification plus democratization, as well as reviving the social welfare guarantees of the prior Catholic-Communist alliance. A promise of a mixed of a mixed economy was added to old radical slogans. However, some of the national economic institutions had grown lethargic, roads and school systems showed signs of deterioration and the country's infrastructure was in serious need of an upgrade. The more impatient members of society have longed for better municipal services than those provided by the public institutions, which are sometimes slow and not always responsive to consumers. Some of these institutions were first founded by the PLN, the Figueres party, which is still the ruling party sixty years later, and which is now suffering from its political arteries hardening. There are solutions to these complaints, but it is not clear that the sclerotic leadership of the once powerful social democratic party is either insufficiently innovative enough to do so, or is incapable of instituting any reforms into the now all-but paralyzed legislative forums.

The current model of American youth culture is very popular in Costa Rica. People like to go to the new malls and look at expensive goods and dream. They watch North American television. Community action is less important. Corruption, particularly at the highest levels is increasingly common, as demonstrated when two presidents were arrested and prosecuted and a third - the son of Jose "Pepe" Figueres - decided to flee to Europe. The Costa Rican constitutional court has since ruled that he has nothing to fear if he wants to come back; some of his detractors say that a way will be found for him to return to Costa Rica and even re-enter political life.

In sum, pressing current problems facing the country include a decaying infrastructure headed by a deteriorating school system and an increasingly inefficient health insurance coverage. Although the Costa Ricans appear to be often more politically active than Americans, a psychology of "me first" has become as emblematic of Costa Rica's public life as it has in other small social democracies like Chile and Israel.

Why? This is a complex sociological question which must be troubling to democratic left forces. Attempts by a progressive leadership in Costa Rica to deal with this issue are worth watching.

*This analysis was prepared by COHA Senior Research Fellow Dr. Stephen Bindman
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